SGH Property Income Fund

30 June 2017

SG HISCOCK & COMPANY

Fact Sheet

Investment objective	A dividend yield (before fees) which is higher than the S&P/ASX300 A-REIT Accumulation Index and a total return in excess of the CPI + 3% over rolling five year periods (before fees).		
Investments held	The Fund primarily invests in A-REITs and may also invest in real estate management, development and infrastructure securities. An A-REIT is a collective investment vehicle, which owns a portfolio of real property, thus providing for a wider form of ownership. A-REITs are listed on the ASX, and their prices fluctuate with supply and demand, as with equity instruments. As a rule A-REITs derive the bulk of their income from rental property income. The Fund generally seeks to invest in A-REITs that exhibit an above average proportion of their income sourced from rents rather than more volatile income streams such as third party construction or development. As a result of this strategy, the Fund's investment portfolio has very different weights to that of the S&P/ASX300 A-REIT Index. The S&P/ASX300 A-REIT Index has changed so much that there is now a significant concentration of the largest stocks in this index. The Investment Manager believes that the investment strategy for the Fund is likely to provide superior portfolio diversification (by setting a maximum portfolio weight for any individual security in the portfolio at 15%), and the potential for a higher income yield than the S&P/ASX300 A-REIT Index.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0119AU	**mFund Product Code**	SHF03
Commencement	30 November 2005	**Buy spread**	+0.25%
Management costs[1]	0.95% p.a.	**Sell spread**	-0.25%
Minimum initial investment	$20,000	**Investment pool size**	$314.69 million

Unit Prices	Application	Net Asset Value	Withdrawal
30 June 2017	$ 0.3871	$ 0.3861	$ 0.3851

Performance as at 30 June 2017[2]	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.
Distribution Return	14.13	14.18	14.76	16.03	15.15	13.23	11.31
Growth Return	-17.81	-17.52	-17.69	-18.16	-3.74	1.16	3.06
Total Net Return	-3.68	-3.34	-2.93	-2.13	11.41	14.39	14.37
CPI + 3% pa	0.43	1.28	2.40	4.57	4.85	5.07	5.36
S&P/ASX 300 A-REIT Accum. Index	-4.51	-3.05	-3.12	-5.64	12.22	14.24	12.54

Top 5 holdings as at 30 June 2017
Stockland Property Trust
Westfield Corporation
Vicinity Centres
Scentre Group
Mirvac Group

Top 5 holdings represent 62.55% of the total Fund.

Distribution Period	Cents per Unit
30-Jun-16	4.3860
30-Sep-16	0.1174
31-Dec-16	0.4447
31-Mar-17	0.2526
30-Jun-17	5.6641

Asset Allocation as at 30 June 2017	
Australian REITS	93.04
Cash	6.96

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1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
2. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.

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Commentary

The **S&P/ASX 300 Property Accumulation Index** fell 4.5% in June, underperforming the broader market (S&P/ASX 300 Accumulation Index) which rose marginally by 0.2%. Global Real Estate Investment Trusts (REITs) were the best performer, finishing June up 0.5%.

Domestic Economic Data

The most interesting data point for the month was the much stronger-than-forecast drop in the Unemployment Rate to 5.5%. Still the Under-Employment Rate remains elevated, highlighting the slack in the economy. This in-turn is leading to record low Wages Growth (something which the Reserve Bank of Australia Governor believes can be resolved by demanding a pay rise from your Employer). Coupled with rising Utility expenses and out-of-cycle Interest Rate hikes from the Banks, Retail Sales remains low relative to historical norms. Having said that, it rose a better than expected 1% on the latest monthly figures. Business Conditions remained positive and steady on the latest release, despite Private New Capital Expenditure remaining subdued. Dwelling Approvals were up on the latest figures but down approximately 17% over the rolling 12-months. Real Gross Domestic Product (GDP) was in-line with expectations but its sub-2% figure is the lowest since 2009. The Purchasing Managers Index (PMI) continued to rise.

The Australian Dollar rose materially, finishing just under US$0.77. This was largely attributable to rising Coal and Iron Ore pricing. The 10 Year Bond Yield rose approximately 20 basis points to 2.6%, in line with the global trend of an expectation of a rising interest rates environment (despite this being less obvious in Australia).

Overseas Economic Data

In the **US**, the Federal Reserve raised Official Interest Rates by a further 0.25% but highlighted a more gradual pace of Interest Rate rises going forward. The 10-Year Bond Yield rose 10 basis points to approximately 2.3%, whilst The Fed's preferred Inflation measure dipped to 1.7%, with The Fed not expecting Inflation to rebound above 2% by the end of 2017. GDP was upwardly revised for the second-consecutive month. The Unemployment Rate tightened once more, this time to 4.3% despite fewer jobs being created. Housing Starts, Industrial Production and Retail Sales all delivered falls on their latest data points. The PMI eased once again but remains positive.

In **Europe** the European Central Banks (ECB) hinted at the potential to eventually withdraw stimulus measures. This sent Yields up. The Bank of England in the **UK** also announced the same, with the same consequences to their Yields. The respective PMIs remained in positive territory, despite drops. Within the Eurozone, Germany is continuing to exhibit strong growth, with its economic growth rate revised upwards. Conversely, two Veneto-based Italian Banks were rescued by the Italian Government, at a cost of €17 billion. The latest Inflation figures within the Eurozone showed a dip back below 1.5%, with the ECB accordingly lowering their Inflation forecasts.

Japan's PMI remained positive, despite easing back a fraction. Industrial Production was notably up, as the Bank of Japan kept Interest Rates below zero, whilst continuing on with its Asset Purchases Program. The 10-Year Bond Yield continued to rise at a relatively steady pace throughout June.

In **China**, Industrial Production grew better than expected. This was despite the varying Manufacturing PMI data releases during June, intimating both a slight contraction and expansion. The Housing market flat-lined, as the tightening measures start to take effect. The MSCI announced Chinese Equities will join their Benchmark Indices.

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